

## **CORRECTED FISCAL NOTE**

### **HB 2633 - SB 3836**

March 17, 2008

**SUMMARY OF BILL:** Deletes current laws governing boxing. Enacts the *Tennessee Athletic Commission Act of 2008* which creates the Tennessee Athletic Commission to license and regulate professional boxing and mixed martial arts (MMA). Violations of the new boxing and MMA laws are punishable as a Class A misdemeanor.

#### **ESTIMATED FISCAL IMPACT:**

On February 4, 2008, we issued a fiscal note which indicated the following fiscal impact:

Increase State Revenue –

Net Impact - \$653,100/FY09-10 & thereafter

Increase State Expenditures –

\$93,200/One-Time/FY08-09

Net Impact - \$66,200/Recurring/FY09-10 & thereafter

Increase Local Revenue –

Not Significant/FY09-10 & thereafter

Increase Local Expenditures – Not Significant/ FY09-10 & thereafter

Other Fiscal Impact – The current boxing program currently has a deficit of approximately \$324,200. This deficit will be transferred to the Tennessee Athletic Commission beginning in FY09-10.

Based on additional information, the estimated fiscal impact of this bill is:

#### **(CORRECTED)**

**Increase State Revenue –**

**Net Impact - \$653,100/FY09-10 & succeeding years**

**Increase State Expenditures –**

**\$93,200/One-Time/FY08-09**

**Net Impact - \$66,200/Recurring/FY09-10 & succeeding years**

**Increase Local Revenue – Not Significant/FY09-10 & succeeding years**

**Increase Local Expenditures – Not Significant/ FY09-10 & succeeding years**

**HB 2633 - SB 3836 (CORRECTED)**

## Assumptions:

### State Revenue:

- The greater amount of \$500 or a four percent gross receipts tax on the sale of tickets will be collected for each event. Based on historical figures, the average club fight has generated less than \$500 in revenue for each event. It is estimated that club fights will generate approximately \$12,000 in state revenue on an annual basis beginning in FY09-10 (24 club fights x \$500 = \$12,000).
- The average title fight will pay a four percent gross receipts tax based on ticket sales. Based on historical attendance figures and ticket pricing for boxing title fights in this state and based on the estimated attendance figures and ticket costs for the expected additional MMA title fights, it is estimated that title fights will generate approximately \$360,000 in state revenue on an annual basis beginning in FY09-10 (\$120 average per ticket x 15,000 tickets x 5 title fights x 4% = \$360,000).
- The state will collect three percent on the first \$1 million and one percent on the next \$2 million of boxing and MMA television contracts. Based on the historical number of televised fights originating in this state and the expected additional MMA fights, it is estimated that approximately three fights per year will be broadcast on television networks or pay-per-view channels. Since television contracts are proprietary information that is not shared with the state, the amount of revenue that will be generated is unquantifiable. For the purposes of this fiscal note we estimate that each fight broadcast on television networks or pay-per-view channels will generate at least \$25,000 for a total annual increase in state revenue of \$75,000 beginning in FY09-10 (3 televised fights x \$25,000 each = \$75,000).
- The state currently collects approximately \$71,800 in revenue on an annual basis. This revenue stream will continue to be collected in FY08-09 but will be replaced with new revenue streams beginning in FY09-10.
- Approximately 700 licenses and permits will be issued initially with approximately 350 issued annually and renewed on a biennial basis.
- The total cost to operate the Tennessee Athletic Commission on an annual basis beginning in FY09-10 will be approximately \$277,900. Pursuant to Tenn. Code Ann. § 4-3-1101, revenue from licensing fees will be generated in an amount sufficient to cover expenditures.
- The total net increase in state revenue beginning in FY09-10 will be approximately \$653,100 (\$12,000 club fight revenue + \$360,000 title fight revenue + \$75,000 television rights revenue + \$277,900 license and permit fee revenue = \$724,900 - \$71,800 current revenue = \$653,100 total net increase in state revenue).
- The provisions of this bill authorize the Commission to start issuing licenses and collecting fees beginning in FY08-09. However, the provisions of this bill that authorize the fights and authorize the

collection of revenue from such fights does not become effective until FY09-10. It is assumed that few licenses available under the provisions of this bill will be issued until the authorization for fights becomes effective. Any revenue collected in FY08-09 for licenses available under the provisions of this bill will be not significant.

State Expenditures FY08-09:

- One-Time expenditures in FY08-09 for computer equipment (\$2,600), office furnishings (\$2,000) and computer programming (\$1,000).
- One-Time expenditures in FY08-09 for the salary, benefits and operational expenses for an Administrative Director for the Commission in the amount of \$68,700 (\$42,300 salary + \$14,500 benefits + \$11,900 operational expenses = \$68,700).
- One-Time expenditures in FY08-09 of approximately \$18,900 for travel, per diem and compensation for seven members to attend six annual meetings of the Commission (\$300 travel and per diem + \$150 compensation = \$450 x 7 members x 6 meetings = \$18,900).
- According to the provisions of this bill, the Commission will be appointed and will hold meetings beginning in FY08-09. It is assumed that the Commission will hire a director in FY08-09.
- The state currently spends approximately \$211,700 to operate the boxing program on an annual basis. These expenditures will no longer be incurred beginning in FY09-10. However, these expenditures will continue to occur in FY08-09 and be in addition to expenditures for the Commission, the director and other start-up costs.
- The total one-time increase in state expenditures for FY08-09 will be approximately \$93,200 (\$68,700 director salary, benefits and operation expenses + \$18,900 commission member travel, per diem and compensation + \$5,600 computer equipment and programming and office furnishings = \$93,200).
- The provisions of this bill authorize the Commission to start issuing licenses and collecting fees beginning in FY08-09. However, the provisions of this bill that authorize the fights and authorize the collection of revenue from such fights does not become effective until FY09-10. It is assumed that few licenses available under the provisions of this bill will be issued until the authorization for fights becomes effective. Any expenditures in FY08-09 relative to the issuance of licenses available under the provisions of this bill will be not significant.

State Expenditures FY09-10 & succeeding years:

- Recurring expenditures beginning in FY09-10 of approximately \$28,800 for travel and per diem for two commissioners and the director and compensation for two commissioners to attend 24 club fights (\$300 travel and per diem x 3 persons x 24 club fights = \$21,600; 2

commissioners x \$150 compensation x 24 club fights = \$7,200; \$21,600 travel and per diem + \$7,200 compensation = \$28,800). Club fights will require one over-night stay for the commissioners and the director.

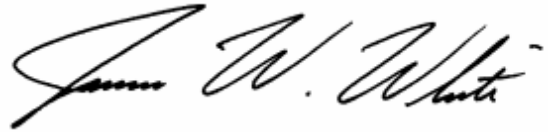
- Recurring expenditures beginning in FY09-10 of approximately \$7,500 for travel and per diem for two commissioners and the director and compensation for two commissioners to attend five title fights (\$500 travel and per diem x 3 persons x 5 title fights = \$7,500; 2 commissioners x \$300 compensation x 5 title fights = \$3,000; \$7,500 travel and per diem + \$3,000 compensation = \$10,500). Title fights will require two over-night stays for the commissioners and the director.
- Recurring expenditures beginning in FY09-10 of approximately \$100,000 to cover the cost of investigative/regulatory duties for all fights. Historically, the average annual cost for investigative/regulatory duties is approximately \$112,200. The average number of fights will increase from approximately 17 per year to approximately 29 per year. By streamlining the investigative/regulatory duties and using fewer staff, the Department will incur less expense despite the increase in the number of fights. The staff used will be from a pool of investigators that are shared by all boards and commissions in the Division of Regulatory Boards. Their salaries, benefits and travel expenses are paid through fees by the programs that use their services.
- Recurring expenditures beginning in FY09-10 of approximately \$54,000 to cover legal and administrative cost-backs. This is based on the average annual legal and administrative costs incurred over the last three years. The legal and administrative costs of the Commission are billed by the Department to the Commission and are paid through fees.
- Recurring expenditures beginning in FY09-10 for the salary, benefits and operational expenses for an Administrative Director for the Commission in the amount of \$68,700 (\$42,300 salary + \$14,500 benefits + \$11,900 operational expenses = \$68,700).
- Recurring expenditures beginning in FY09-10 of approximately \$18,900 for travel, per diem and compensation for seven members to attend six annual meetings of the Commission (\$300 travel and per diem + \$150 compensation = \$450 x 7 members x 6 meetings = \$18,900).
- The total net increase in state expenditures beginning in FY09-10 will be approximately \$66,200 (\$68,700 director salary, benefits and expenses + \$18,900 travel, per diem and compensation for Commission meetings + \$28,800 travel, per diem and compensation to attend 24 club fights + \$7,500 travel, per diem and compensation to attend 5 title fights + \$100,000 investigative/regulatory expenses + \$54,000 administrative and legal cost-backs = \$277,900 - \$211,700 current expenses = \$66,200).

Local Revenue and Expenditures:

- There will not be a sufficient number of prosecutions for local governments to experience any significant increase in revenue or expenditures.

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

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